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FIRST COUNTRY COOPERATION FRAMEWORK FOR ARGENTINA (1997-1999)

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INTRODUCTION

1. This country cooperation framework for Argentina for the period 1997-1999 has been drawn up taking into account national priorities and strategic Government programmes and also considering the mandate of the United Nations Development Programme (UNDP) and the role it could play in association with the Government and other development agents.

2. The drafting of this document began with the presentation of the UNDP Advisory Note and took into account the viewpoints of United Nations system agencies, multilateral financial institutions and various representatives of the institutions of civil society.

3. The reference documents used included one on Argentina's growth (1995-1999); the mid-term review of the 1992-1996 cooperation programme; the Argentine Human Development Report (1996) and the 1996 country status report reflecting the points of view of United Nations system agencies represented in the country.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

4. The Human Development Report 1996 ranked Argentina 30th in terms of the Human Development Index (HDI). This high ranking has been achieved subsequent to the structural reform process begun in 1989, by focusing on the market as an efficient allocator of resources, privatization of public companies and State reform. This reform, which was notable for its immensity and the speed of its execution, made it possible to privatize the majority of public companies, deregulate the economy, reform financial management, reduce employment in the central administration and begin the modernization of the public sector.

5. These measures, together with trade liberalization and legislation on convertibility which established a fixed exchange rate that helped eliminate inflation, made it possible to stabilize prices (inflation fell from 1,343.9 per cent in 1990 to 0.1 per cent in 1996) and stimulated an increase in the gross domestic product (whereas the annual average for the period 1981-1990 had been -1.1 per cent, it climbed to 5.8 per cent between 1991 and 1996) and investment (whereas the annual average for the period 1981-1990 had been -7.6 per cent, it rose to 16 per cent between 1991 and 1996). The average annual decrease in productivity between 1981 and 1990 had been -3.4 per cent whereas for the period 1991-1996 there was an average annual increase of 3.6 per cent. Thus the foundations for sustained economic growth were laid.

6. In order to strengthen those major advances in economic stabilization and the improvements in productivity, the Government decided to take steps to accelerate and consolidate the integration of the Argentine economy into world trade. To that end, it determined that its priority objective would be to increase and diversify exports and to develop a new supply of exports. The Government is giving priority to the process of business restructuring and increasing competitiveness - particularly among small and medium-sized businesses - in order to create jobs.

7. The recovery process has demonstrated the great potential of the economy to achieve sustained growth and expand its benefits; now the Government intends to consolidate the new macroeconomic relationships and place greater emphasis on social development, given that the most vulnerable sectors of the population have lagged behind in relation to the progress resulting from economic adjustment and the restructuring of the production sectors.

8. Although the unemployment rate increased everywhere, the increase was particularly steep among women (in May 1995 21.8 per cent of the female working population were unemployed) and among youth (in 1995, 41.3 per cent of youth aged 15 to 19 and 24.6 per cent of those between 20 and 24 were unable to find work). The unemployment rate was also high among heads of households. Beginning in 1994, double-digit rates began to be recorded. In October 1996 the rate for the entire country reached 17.3 per cent; in the Buenos Aires metropolitan area, where 60.7 per cent of the country's workforce resides, it had reached 21.3 per cent; among heads of household in that region the rate is 14.7 per cent.

9. In order to meet growing social demands, the Government has formulated major programmes to improve the status of the most vulnerable groups, they include employment programmes (worker retraining, training, vocational training, micro-business) and attention to basic needs (nutritional support, social education plan, housing construction, drinking water supply, primary health care). Between 1989 and 1996 public social expenditure as a percentage of total public expenditure rose from 24.8 per cent to 63.4 per cent. In particular, expenditure on health accounted for 21 per cent of total public expenditure. In that respect, the Government strategy of enhancing the efficiency and effectiveness of priority social services will help mitigate the social effects of adjustment.

10. The reform process also accentuated the discrepancy between the economic and social situation of the prosperous regions - mainly the Federal Capital and the Province of Buenos Aires - and that of the more backward provinces, whose situation worsened. This complex geographic discrepancy becomes evident when calculating the disaggregated Human Development Index: the national capital ranked 20th internationally, on a par with the most highly-developed countries, while Jujuy Province ranked 85th.

11. In the context of reformulating the fiscal and economic relationship between the nation and the provinces, the Government decentralized the administration of health and education. Although it was essential, that policy has given rise to problems stemming from the disparity between the new functions assumed by the provinces and available resources. All those problems are affecting governance, not only in terms of the linkages between the nation and the provinces, but also in terms of relations among the various social sectors and between society and the environment, all of which may prove important in terms of the sustainability of the nation's development.

12. The Government accords high priority both to problems in the urban environment - the shortage of drinking water and clean air is becoming distinctly worse - and to those more generally confined to rural areas, where the majority of the poor population are found. The major problems in those

areas are related to soil degradation: two thirds of the country's total land area is comprised of arid or semi-arid zones; of those 187 million hectares, 22 million are already degraded and would be very difficult or costly to restore. As for the best soils in the country, of the 9 million hectares in the main grain belt, it would still be economically and ecologically possible to restore 5.5 million hectares affected by erosion (60.74 per cent).

13. Like many other countries, Argentina is suffering the consequences of global changes resulting from atmospheric pollution and deforestation; they include climate change (resulting from increased concentrations of greenhouse gases because of industrial emissions); thinning of the ozone layer (as a result of emissions of gases or pollutants); decline in biological diversity (one region of Argentina, the Chaco Humedo, is one of the five global habitats with the greatest biological diversity, and the Patagonian Coastal Zone has a rich fauna in danger of extinction). The country gives high priority both to gathering detailed information on all these topics and to defining its own strategy to fulfil its commitments under international conventions.

II. RESULTS AND LESSONS OF PAST COOPERATION

14. The fifth country programme for cooperation between UNDP and Argentina (1992-1996) focused on the following areas: (a) strengthening of the management capacity of the State; (b) formulation and implementation of policies and programmes to improve social conditions and (c) support to economic growth.

15. In the first half of the cycle, the programme concentrated on support to Government activities to reform and redefine the role of the State. In this regard attention is drawn to the results obtained in the preparation and adoption of legislation on a national system of public investment and on the reform of financial administration (Act No. 24.256, budget, public credit treasury and accounting); the registration of 100 per cent of public internal and external debt; renegotiation of the debt (Brady Plan, Paris Club, consolidation of domestic debt) and the computerization of the Ministries of Economic Affairs (1,300 work stations in the network) and Foreign Affairs and Worship (800 work stations in Buenos Aires and 100 embassies in the network). In addition, the programme contributed to reforms in such key sectors as health (reformulation of the organizational and regulatory instruments and of the institutional model for offering health insurance and incorporation of six hospitals in three jurisdictions into a pilot self-management project).

16. During the second half of the cycle, as a result of the growing amount of attention the Government was paying to poverty eradication and job creation, the programme focused on the formulation of policies and programmes to improve social conditions. The most important achievements in that area resulted from the Programme for the Restructuring of Production (PARP) (5,606 training courses country-wide for 102,449 unemployed youths with a low educational level, some 40 per cent of them women, and immediate entry into the workforce for 30.5 per cent). It also assisted in instituting unemployment insurance (100,000 beneficiaries); supported the vocational training programmes of the Secretariat of Employment and Worker Training of the Ministry of Labour (supervision of 500 worker training courses for 120,000 beneficiaries) and conducted pilot projects

in worker retraining in fields affected by privatization. In the area of maternal and child health and nutrition, since 1995, 189 actors (hospitals and health and child development centres) throughout the country have joined the PROMIN programme, thereby reaching approximately 100,000 mothers and 200,000 children, out of a total beneficiary population of 500,000.

17. Halfway through the fifth cycle, activities relating to economic growth began to receive more intensive promotion (implementation of the Export AR Foundation (MRECIyC); formulation of a broad Programme of Business Reconversion, aimed at encouraging small and medium-sized businesses to produce goods for export and carrying out a test project with over 150 companies) and sustainable development and rational use of natural resources (drafting of the Patagonian Coastal Zone Management Plan).

18. This package of activities has meant the increasing mobilization of a large volume of resources, both from government (national, provincial and municipal) and from multilateral financial institutions; as a result, the total figure for execution for the period 1992-1996, including UNDP resources, rose to 391 million dollars.

19. These results greatly strengthened national capacity to execute development projects. During the fifth cycle, a transition was achieved made from a programme fully executed with the support of the local UNDP office to the direct assumption by the Government of 95 per cent of the administrative functions involved in the mobilization of programme inputs. Also during this period, the central Government adopted Decree 92/95, which drew its inspiration from UNDP mechanisms and procedures, making possible the direct execution of activities financed from the national budget without the involvement of cooperation agencies.

20. As a result, during the fifth programme the role of UNDP evolved from one of support for project execution to one of more active involvement in promotion and dissemination of the key issues of sustainable human development. One visible result of this evolution has been the extensive debates held on the issue, with the participation of entities of civil society, and the inclusion of the concept of sustainable human development in the amended Constitution of 1994 which places that concept at the highest level of the law. It is worth noting that this concept has been appropriated by the Senate, whose Committee on Ecology and Human Development has undertaken, during the past two years, the task of preparing, publishing and disseminating the Argentine Human Development Report.

III. PROPOSED STRATEGY AND THEMATIC AREAS

21. The cooperation framework with Argentina for the period 1997-1999 is defined by the convergence of two factors: the operational strategy for UNDP intervention and its thematic content.

22. Operational strategies. The lessons learned from the fifth cycle indicate that the conditions exist for UNDP to expand its role of offering development services by adding greater value through diversification of its contributions to

the country. For the period 1997-1999, the role of UNDP as a source of development services and expertise will be strengthened, so that the organization can continue to work according to the new paradigm of "partners for development", in an ongoing dialogue with the Government and Argentine society. In this context, the principal functions of UNDP for the period 1997-1999 will be the following:

(a) Promotion: To contribute to the national dialogue on the development situation and policy, from a sustainable human development perspective, so as to reflect the overall nature of the development process and overcome the compartmentalization of sectoral thinking. This will be done by disseminating the main themes of international thinking and creating opportunities for dialogue between the public sector, the private sector and civil society on the one hand, and the national and local levels, on the other. This will be complemented by systematic activities to disseminate information and prepare and publish high-quality documents on the theme of sustainable human development.

(b) Innovative initiatives: To assist in developing initiatives, which, because of their innovative character, could be replicated to obtain good results. Among other things, new projects will be developed at the provincial and municipal level, as well as novel methodologies in the various areas of programme activity.

(c) Development services for the promotion of sustainable human development and capacity-building: Support programmes that contribute to sustainable human development and consolidate true national management capacity, extending it to other levels (provincial and municipal) and other stages of the project cycle. In particular, UNDP support will also be oriented towards improving capability for technical and substantive oversight of programmes, especially regarding quality and effects, from a sustainable human development perspective. This strategy also includes furthering complementarity with the activities of international financial institutions, developing technical follow-up areas and mechanisms that would be more useful for the various programme participants.

23. Thematic areas. The thematic areas defined have their basis in Government policies and priorities as described in Section I, in the cooperation needs determined by the bodies of the United Nations system in the 1996 country status report, which gives the views of United Nations agencies represented in the country, and in the Argentine Human Development Report, which reflects the situation in the country with respect to UNDP guidelines and concepts.

24. In this context, activities during the next period will concentrate on the following thematic areas: (a) strengthening of the market, institutions and equity; and (b) sound management of natural resources and habitat.

A. Strengthening of the market, of institutions and of equity

25. The choice of this thematic area responds to the Government's overall policy of fostering a society of opportunities so as to ensure economic growth, institution-building at the various levels of administration, and improvement of

social conditions. Given the progress that has been observed in respect of economic reform and redefinition of the State's role and the existence of various sources of cooperation on the matter, particularly international financial institutions, actions under the cooperation framework will concentrate on areas in which Government policies to promote economic growth are most directly connected with improving incomes and social and employment conditions.

26. In that context and as part of its promotional role, UNDP will help to stimulate discussion of aspects which link the various components of this thematic area. High-level forums will cover issues such as competitiveness, institutional development and economic performance, in order to follow up the Programmes of Action and Platforms for Action adopted at the World Summit for Social Development, the International Conference on Population and Development, the Fourth World Conference on Women and the United Nations Conference on Human Settlements. Methodological work of an interinstitutional nature will be carried out, in association with the Government, to systematize the commitments undertaken by the country and create follow-up mechanisms at the country level.

27. In this area, UNDP will take part in innovative actions linking the various components, proposing new problem-solving methodologies which can be duplicated. Thus, support will be given to a pilot project among provinces and municipalities to analyze social management experiments at the local level. Horizontal cooperation among provinces and municipalities will be promoted, for the sharing of information on successful experiments in regional and local management. UNDP will help with raising capital resources for the granting of micro-credits to generate employment and eradicate poverty.

28. As for the promotion of sustainable human development and national capacity-building, UNDP will focus its actions on the following components: (a) strengthening of the market; (b) institution-building; and (c) strengthening of equity.

1. Strengthening of the market

29. National policies. The Government has fixed as its priority goal the incorporation of the Argentine economy into international trade and financial flows and, in particular, the development of a dynamic and competitive export sector, in conformity with international parameters. This strategy emphasizes market forces as efficient allocators of resources; the promotion of exports through the reactivation of sectors, such as mining, which have fallen behind; the renovation of small and medium-sized enterprises; and the strengthening of commercial services.

30. UNDP action. Entrepreneurial reconversion of small and medium-sized enterprises. To assist with the reconversion of 900 small and medium-sized enterprises, consultancy services will be provided to create a Directory of Suppliers and Services which will ensure easy access to information on supply and support services, to simplify formalities, improve quality control and strengthen the capacity of the Commerce and Investments Secretariat of the Ministry of Economic Affairs to manage the Business Reconversion Programme.

31. Development of the mining sector. Support will be provided for the review of mining legislation, a survey of technical levels in mining and of the entrepreneurial capacity of small and medium-sized enterprises will be carried out, a mining environmental system and a national mining technology system will be designed, and the administrative and operational capacities of public mining-industry bodies will be developed at the national and provincial levels.

2. Institution-building

32. National policies. Following the considerable progress achieved with respect to the strengthening of the central administration and having succeeded in decentralizing management of education and health services to the provinces, the Government embarked on a comprehensive programme to support reform of the provincial public sector, which not only promotes fiscal responsibility at the level of provinces and municipalities, but also endeavours to increase the efficiency and effectiveness of institutions so as to improve the social conditions of the most underdeveloped population groups. Following the reform of the education sector, the Government also plans to extend the reform of the health sector in order to improve the accessibility, efficiency and quality of services.

33. UNDP action. Modernization of provincial public administration. UNDP will support actions which enable the provinces to achieve fiscal balance, to take charge of the functions delegated to them in the educational and health sectors and to promote an industrial environment which will facilitate and stimulate the development of enterprises. Actions are also planned in the provinces of Neuquén, Chaco, Tucumán, Salta and Río Negro, using innovative methodologies of participation and consensus-building at the provincial level.

34. Support for the decentralization process. Within the framework of the Municipal Development Programme, UNDP will assist in improving mechanisms for the financing of municipal investments and in training local officials in the selection and formulation of development projects so as to improve the quality of life for the local population, particularly at the lowest income levels. Training will emphasize sustainable human development themes, such as the implementation of Agenda 21 and local follow-up of commitments undertaken at world conferences.

35. Reform of the health sector. UNDP will support all aspects of the reform of this sector, both as regards the Government's regulatory and management apparatus and as regards social security services and health benefits for retirees. In addition, UNDP will contribute to the management of a programme specifically oriented towards rationalizing the hospital management model, on the basis of pilot schemes regarding the various options for the autonomous management of services.

3. Strengthening of equity

36. National policies. The priority goals of the Government's social policy are oriented towards meeting the basic needs of the population and ensuring equal opportunities for participation in the economic development process, and overcoming the various causes and manifestations of poverty. The Government attaches high priority to formulating policies for the creation of new employment opportunities and for investment in human resources (through education, training and health services) in order to prepare people to play their part in a competitive job market.

37. UNDP action. Generating employment for poor youth. UNDP will support training in semi-skilled occupations and business practice for 100,000 poorly educated young people from low-income groups (50 per cent of them women) to enable them to enter the job market. Also, Regional Employment Offices will be strengthened specifically, in respect of their functions of providing guidance and training for entry into the job market.

38. Maternal and child care. UNDP will continue to support the provision of a series of basic health and nutrition services throughout the country, benefiting 700,000 mothers and undernourished children, by improving health and education service centres and providing training both to the target population (prenatal care, infant nutrition, disease prevention) and to the personnel of the centres. Also, the institutional capacity of provincial service-providing bodies will be strengthened in order to improve their planning and management capacity.

39. The fight against AIDS. Government actions in community prevention will be supported through a public information campaign and the creation of an area for joint action with non-governmental organizations engaged in prevention, sociocultural and epidemiological research and education. To provide care for those affected by HIV/AIDS, prevention and medical care services and laboratories in the country's hospitals will also be strengthened.

40. Expected results. The UNDP programme will support the Government's goals of reducing poverty and improving living conditions. The indicators used to measure the success of UNDP actions will include the share of small and medium-sized enterprises and of the mining sector in the supply of export goods; increased effectiveness in the provision of social services at the national, provincial and municipal levels; increased income among young people as a result of their entry into the job market; decreased morbidity and mortality among mothers and children; and the degree of participation of civil society in preventing and combating AIDS. Other indicators will be selected during the implementation of the programme.

B. Sound management of natural resources and habitat

41. In this thematic area, policies will be implemented for the fulfilment of commitments assumed under Agenda 21 and the various international conventions, and rational and sustainable development of natural resources will be promoted. As part of its promotional role and within the context of a process involving

the participation and agreement of the target groups, UNDP will support the formulation of a national strategy for the preservation of biological diversity.

42. UNDP will promote innovative initiatives enabling communities, enterprises and provincial authorities to take part in an agreement to repair ecological damage and renew natural resources. In Neuquén province, reafforestation will enable petroleum to be replaced with other sources of renewable natural resources for energy production, generating employment and income for the region's poorest population.

43. National policies. The Government has been working to formulate a policy concerning the environment and sustainable development, with emphasis on legislation (laws on the sustainable use of natural resources) and institutional structures (creation of the National Council for Sustainable Development and consolidation of the Federal Environmental Covenant). As for substantive aspects, government policy has given priority to conservation and use of biological diversity, the fight against desertification, efforts to combat pollution, and fulfilment of the country's commitments under international agreements.

44. UNDP actions. Management of the Patagonian coastal region to preserve biological diversity. To complement the support it provided for the formulation of the Plan through a process of consultation and consensus-building at the local level, UNDP will assist with the Plan's implementation by strengthening institutional and interprovincial coordination and establishing an interprovincial network of protected areas on the Patagonian coast. Efforts to achieve that objective will involve the major private-sector associations (deep-sea fishermen, petroleum transporters, the tourism industry and others), as well as the authorities in three provinces and representatives of communities and of organizations advocating conservation of natural resources.

45. Use of alternative energy sources by dispersed rural populations. UNDP will support environmental feasibility studies, both technical and financial, for the supply of energy from unconventional sources to poor rural populations.

46. Protection of the ozone layer. UNDP will provide technical and financial support for the technological conversion of industries that use industrial processes which produce substances or gases which are harmful to the ozone layer.

47. Climate change. UNDP will support the carrying out of a national survey of greenhouse gases and of research into vulnerability to and mitigation of climate change. This initiative includes the dissemination of the Framework Convention on Climate Change and the Convention on Biological Diversity, as well as appropriate training.

48. Expected results. UNDP cooperation will contribute to promotion and institution-building for the formulation of policies, plans and national instruments in order to achieve sustainable development goals and the implementation of Agenda 21. Indicators of the success of UNDP actions will include the degree of participation of civil society in the National Council for Sustainable Development; the definition of national strategies for the

preservation of biological diversity; the fight against desertification and the allocation by the State of the necessary resources; and also the achievement of technological goals set out in the Montreal Protocol.

IV. MANAGEMENT ARRANGEMENTS

A. Execution and implementation

49. Priority will continue to be given to the national execution modality, which will be fully used in cases where the relevant institution has the necessary capacity. Where that capacity needs to be strengthened, the UNDP office in the country will undertake to support the execution.

50. Using the programme approach, whereby the Government formulates and executes development programmes, the modality of support for national programmes will be introduced selectively with a view to avoiding dispersion among individual programmes, achieving greater effectiveness in execution, and enabling monitoring of programme results.

B. Monitoring and evaluation

51. Taking into account the strategy formulated for the incorporation of greater added value by UNDP, support will be given for the elaboration of a system of indicators to enable measurement of results from the point of view of sustainable human development. These indicators will fall into three categories: human resources capacity-building; organization of goods and services; and inclusion in the social process. These indicators are to be defined in consultation with national execution bodies, agencies of the United Nations system and civil society entities. Significant progress achieved in other countries will also be taken into account.

C. Resource mobilization

52. The local UNDP office estimates that the total amount of shared costs for the period 1997-1999 will be approximately 300 million United States dollars.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR ARGENTINA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(663)	
TRAC 1.1.1	1 300	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	-	
Subtotal	637[a]	
NON-CORE FUNDS		
Government cost-sharing	50 000	
Sustainable development funds of which: GEF Montreal Protocol	4 805 1 058 3 747	
Third-party cost-sharing	250 000	
Funds, trust funds and other	-	
Subtotal	304 805	
GRAND TOTAL	305 442[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.